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FROM AMBASSADOR BRIDGEWATER; CAIRO PLEASE PASS TO CODEL JOHNSON

SENSITIVE
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SUBJECT: GHANA SCENE SETTER FOR CODEL JOHNSON, JANUARY 7-9, 2008

¶1. (SBU) I look forward to your return visit to Ghana and am pleased to provide some background information for you and the delegation.

¶2. (SBU) SUMMARY: Your visit comes at the beginning of what promises to be another eventful year for Ghana. After celebrating 50 years of independence in 2007, Ghana is preparing to hold parliamentary and presidential elections in late 2008. At that time, Ghana will choose a successor to President Kufuor, who is constitutionally prohibited from seeking a third term. In addition to holding independence celebrations in 2007, Ghana hosted the African Union (AU) summit and co-hosted with the United States the Sixth African Growth and Opportunity Act (AGOA) Forum. Ghana has made impressive progress in democratic and economic development but challenges such as poverty, corruption, lack of adequate infrastructure, an improving but still difficult business climate, and narcotics trafficking must be overcome if Ghana is to achieve its goal of reaching middle income status by 2015. U.S. interests center on support for Ghana's fifteen-year-old democracy, the promotion of poverty reduction, shared prosperity, and private sector development, security cooperation, and enhanced people-to-people ties. As President of the African Union and during its just-completed tenure on the UN Security Council, Ghana has been a reliable partner in peacekeeping, conflict resolution, counter-terrorism, and economic development. END SUMMARY.

2007 AN IMPORTANT YEAR FOR GHANA

¶3. (SBU) In addition to marking 50 years of independence, in 2007 Ghana hosted the African Union summit (AU), of which Ghana is the Chair for 2007, and co-hosted with the United States the African Growth and Opportunity Act (AGOA) Forum. Ghana is now gearing up for the 2008 Presidential election to succeed President Kufuor who is barred by the Constitution from seeking a third term. The 2007 independence celebrations provided an opportunity for many Ghanaians to consider what Ghana has achieved in the past 50 years, but the year has also been marked by reflections on perceived missed opportunities since independence.

POSITIVE STEPS FORWARD

¶4. (SBU) Ghana is relatively stable, with an apolitical military, a generally good record on human rights, and a lively, free media. After 15 years of democratic governance, Ghanaians are committed to democracy. Ghana has held four consecutive free and fair national elections. While parliament is weak and the main parties are increasingly polarized, there is political space for the opposition and almost half of parliamentary seats are held by the main opposition National Democratic Congress (NDC) party. Civil society groups, particularly religious associations, are well organized. Politics is increasingly focused on the 2008 presidential and parliamentary election, which promises to be a close race between the NDC and the ruling New Patriotic Party (NPP). The NPP defeated

the NDC in the two previous elections by thin margins. On December 22 the ruling New Patriotic Party (NPP) selected Nana Akufo Addo, former Minister of Foreign Affairs, as its candidate from among 17 aspirants, and the National Democratic Convention (NDC) has selected 2000 and 2004 party flag-bearer John Atta Mills, and former Vice President in the Rawlings administration, to contest once again for the presidency. The People's National Convention (PNC) has chosen Edward Mahama who also ran in the 2004 election. The Convention People's Party (CPP) has chosen Paa Kwesi Ndoum, formerly Minister for Public Sector Reform and the lead in developing Ghana's MCC Compact. In 2004, the NPP received 53.4% of votes, the NDC received 43.7% of votes, the PNC received 1.9% of votes and the CPP received 1% of votes.

15. (SBU) The economy has performed generally well under the Kufuor administration. Sound macro-economic policy accompanied by major debt relief, large inflows of donor resources and relatively high cocoa and gold prices have been key to the steady improvements in the real GDP growth, which was more than 6 percent in 2006 and 2007, declining inflation and reductions in poverty. In 2008, Ghana will be the first sub-Saharan African country to meet the Millennium Development Goal of reducing poverty by 50 percent and in October 2007, Ghana became the first sub-Saharan country other than South Africa to successfully enter international capital markets by issuing a \$750 million sovereign bond.

16. (U) USAID provides significant support for Ghana's development, averaging about \$40 million annually 2004-2007 in addition to \$22 - \$25 million in food aid prior to FY 2007. The food aid program is being phased out. Ghana's strong performance was recognized in 2006 with the signing of a five-year, \$547 million Compact with the Millennium Challenge Corporation. The Compact has three main components: enhancing profitability of small farmers; reducing transportation costs affecting agricultural commerce through improvements in transportation infrastructure; and expanding basic E community services and strengthening rural institutions.

DIFFICULT CHALLENGES REMAIN

17. (SBU) Despite Ghana's democracy and stability, politics is deeply polarized, political power is highly centralized, and democratic institutions are weak. Corruption is a serious problem and Ghana faces human rights challenges relating to child labor and human trafficking. Ghana also faces a range of security challenges, including a rise in violent street crime and vigilante justice, sometimes violent chieftaincy disputes, a proliferation of small arms, and narcotics trafficking.

18. (U) Economically, Ghana is vulnerable to external price shocks in cocoa and gold, which account for about 65 per cent of exports. It remains heavily dependent on foreign inflows of aid and on remittances. Infrastructure necessary to support growth is poor, particularly power generation and water supply. Last year's energy crisis, with scheduled 12 hour power outages every second day has subsided, but concerns over long-term energy policies remain. The impact of discovery in 2007 of potentially commercially viable oil reserves in Ghanaian waters is a wild card in Ghana's energy and economic future.

19. (SBU) Social indicators such as maternal and infant mortality rates are well below levels in the 1980s but remain high and have not changed in ten years. Access to education has grown but quality is a major challenge. Many Ghanaians do not feel they have benefited from the country's macroeconomic success. According to the Center for Democratic Development's 2005 Afrobarometer survey, 53 percent of respondents thought their standard of living had declined over the previous year, compared to 38 percent in a similar survey in 2002.

WATER AND TRANSPORT

110. (U) WATER: According to the World Bank, about half of Ghana's population does not have access to safe water and two-thirds do not have access to adequate sanitation. Water-related diseases such as

guineaworm infection remain major problems, especially for the poor.

The main sources of water for urban households are piped supply from treated water sources, untreated piped water from groundwater sources, shallow boreholes, wells, and ponds, springs, lakes, rivers, and streams. Funds for maintenance and upgrading of the urban water system are scarce. Of every 100 liters of water pumped into the network only half is registered on the meters of connections. The rest is lost through leaks, administrative errors or illegal connections. The operating cash flow is, therefore, far from adequate even to maintain the status quo. In rural areas, 95% of water comes from groundwater sources, some of which has high levels of metal which poses a health hazard.

¶11. (U) TRANSPORTATION: Ghana's transport infrastructure is better than in many Africa countries but is still far short of what is necessary for smooth, safe flow of goods and services. More than half of the rural population lives more than a mile from the nearest road and 55% of the land area is inaccessible to modern transport. Traffic jams are a regular feature of urban life and road accidents are frequent. According to Government statistics, road crashes killed an average of four persons daily in Ghana in 2004 (latest available). Many vehicles are overloaded and poorly maintained. When combined with uneven road quality, speeding, and unsafe driving practices, the mix can be deadly. Addressing Ghana's transport infrastructure challenges, including the high cost, is critical to its development. Ghana's MCC Compact will devote \$195 million to transportation with the goal of reducing transportation costs affecting agriculture, a mainstay of the economy. Under the Compact a 14 kilometer stretch of the National Highway between Accra and the Tema Port will be upgraded, 230 kilometers of feeder roads in the Afram Basin area will be constructed or rehabilitated, 950 kilometers of trunk roads will be upgraded in northern Ghana, and ferry service between the "mainland" and the Afram Basin will be modernized. USAID is supporting an innovative road governance program that is documenting delays and corruption along major trucking routes in West Africa. The results have attracted considerable press and government attention and pressure for reform is increasing.

GHANA IN THE WORLD

¶12. (U) Ghana has been playing an increasingly significant global leadership role. It is an active member of the Economic Community of West African States (ECOWAS), was chosen to chair the African Union in 2007, and just-concluded a term as a non-permanent member of the UN Security Council, Ghana prefers multilateral solutions to global problems and has a history of African leadership.

GHANA AND THE U.S.

¶13. (SBU) U.S. - Ghana relations are excellent and wide-ranging. The U.S. Mission in Ghana is the third-largest U.S. Mission in Africa, and it has the oldest Peace Corps program in the world. The U.S. has strong commercial, political, military-military, and people-to-people relations with Ghana, and there is a deep reservoir of goodwill toward the United States. Approximately 3000 Ghanaian students are studying in the United States and the Mission consistently has many strong candidates for International Visitor Programs for professionals. President Kufuor has met President Bush seven times and hosted the First Lady in January 2006.

BRIDGEWATER